THE MARIA REGINA SERIES—No. 3.

The Mystical Body of Christ

AND

The Reorganization of Society

by

REV. DENIS FAHEY, C.S.Sp., D.D., D.Ph.,

B.A. (Civil and Constitutional History, Political Economy and General Jurisprudence),
Professor of Philosophy and Church History,
Holy Ghost Missionary College, Kimmage, Dublin.

"About the 'rights of man,' as they are called, the people have heard enough: it is time they should hear of the Rights of God."

(Encyclical Letter, *Tametsi, On Christ Our Redeemer,*
Pope Leo XIII, Nov. 1st, 1900).

1945

THE FORUM PRESS, CORK

medium in the country. The Central Bank is controlled by the movements of gold, when the gold standard is functioning. An export of gold forces the Central Bank to reduce the credit balances of the private banks.

The Rt. Hon. Reginald McKenna was even more explicit at the meeting of the Midland Bank in January, 1924, than in 1927. At that meeting he said: "I am afraid the ordinary citizen will not like to be told that the banks can, and do, create money. The amount of money in existence varies only with the action of the banks in increasing and decreasing deposits and bank purchases. Every loan, overdraft, or bank purchase creates a deposit, and every repayment of a loan, overdraft, or bank sale destroys a deposit. And they who control the credit of a nation, direct the policy of Governments and hold in the hollow of their hands the destiny of the people." In his 1927 speech, the same distinguished banker and former Chancellor of the Exchequer said that the total of available bank cash on which the quantity of loans or deposits of private banks depended, was determined by the Bank of England.(13) Thus we can conclude that, according to this one-time Chancellor of the Exchequer, the Governor of the Bank of England directs the policy of the English Government and practically holds in his hands the destiny of the English people. We shall have more to say about this point later on.

THE MEANING OF INFLATION AND DEFLATION.

We have seen that by far the greater part, in fact all except (less than) 2 per cent, of the exchange-medium in use in Great

(13) Professor O'Rahilly, in *Money*, pp. 102-112, quotes a great number of extracts from 'orthodox' bankers and economists, that is, from writers in favour of the existing system of banking, to show that the banks do create exchange-medium. Of these, two may be cited as typical of the others. The first is from the Report of the Macmillan Committee on Finance and Industry, issued in 1931: "It is not unnatural to think of the deposits of a bank as being created by the public through the deposit of cash, representing either savings or amounts which are not for the time being required to meet expenditure. But the bulk of the deposits arise out of the action of the banks themselves; for by granting loans, allowing money to be drawn on overdraft, or purchasing securities, a bank creates a credit in its books, which is the equivalent of a deposit."

The second is from the article on *Banking and Credit* in the *Encyclopaedia Britannica*, by R. J. Hawtrey, Secretary to the British Treasury. He writes as follows: "When a bank lends by granting an advance or discounting a bill . . . . two debts are created: the trader who borrows and becomes indebted to the bank at a future date, and the bank which becomes immediately indebted to the trader. The bank's debt is a means of payment; it is credit-money. It is a clear addition to the amount of means of payment in the community. The bank does not lend money."

Britain, comes into existence as a loan from the banks, in the form of promises-to-pay. We may say, then, that the exchange-medium of that country is practically created by the banks and that the rate of its creation is regulated by the private corporation called the Bank of England. "Instead of lending notes, the banks, in effect, now lend cheque-books and the right to draw cheques up to limited sums beyond what the borrower possesses. For nearly a century, until the revelations of the War made it impossible to conceal the truth from the general public, the bankers stoutly denied that they were creating money at all, and claimed that they were merely lending the deposits their clients were not using. The President of the Bank of Montreal not a year ago continued to repeat this, but, nearer the centre of things, all this was known and admitted by the orthodox apologists for this monstrous system even before the War, usually by some such lying phrase as 'Every loan makes a deposit.' A loan, if it is a genuine loan,(14) does *not* make a deposit, because what the borrower gets, the lender gives up, and there is no increase in the quantity of money, but only an alteration in the identity of the individual owners of it. But if the lender gives up nothing at all, what the borrower receives is a new issue of money and the quantity is proportionately increased. So elaborately has the real nature of this ridiculous proceeding been surrounded with confusion by some of the cleverest and most skilful advocates the world has ever known, that it still is something of a mystery to ordinary people, who hold their heads and confess they are 'unable to understand finance.' It is not intended that they should."(15)

Let us now examine the alternate periods of boom and depression known as the Trade Cycle or Credit Cycle. During the opening stage, money is increased by the fact that more bank loans are made than are repaid. This causes a rise in prices and a corresponding diminution in purchasing-power in the money already in the hands of people. This happens, because the amount of exchange-medium is increased before goods are ready to be exchanged, in consequence of its being left to private individuals, frequently mere speculators, to decide how much money shall go into circulation. Their aim, of course, is not to keep the price level stable, while enabling the potential productivity of the country to be developed, but to make profit for themselves. During the first stage, employment increases, producers and traders take loans. There is an increasing demand for goods. Prices continue to rise till purchasers, whose salaries and incomes have not risen in proportion, begin to buy abroad. This they can do by shipping gold instead of goods, for the price of

(14) A loan of genuine, already existing money.
(15) *The Rôle of Money*, by Prof. Soddy, p. 62 (1934).

gold is fixed and so has not risen.(16) But the moment gold begins to leave the country, the bankers fear for their solvency, so they do not renew their loans when they are repaid. Money is thus withdrawn from circulation and the second stage of falling prices begins.

The loans, contracted when prices were rising, have now to be paid back when prices are falling—borrowers have to sell far more goods in order to obtain the same quantity of money to pay the banks—so a number of traders go bankrupt. Their securities are sold up by the banks or held until later, when another boom will enable them to be disposed of advantageously. The speculators sell when prices are still high, that is, if they are "in the know," and then wait before buying again till prices have fallen to the lowest level, when a period of depression sets in and continues till the Central Bank, the Bank of England, gives the signal for a new series of loans by buying securities. That action gives the seller's bank a credit balance at the Bank of England. Thus that bank, having more "cash" at the Central Bank, can create more ledger-money.(17) A new Credit Cycle begins and follows the same disastrous course as the former. The rise of prices in the first stage swindles all creditors for the benefit of debtors. The fall of prices in the second swindles all debtors for the benefit of creditors.

Ordinary people have a difficulty in following all this, because they always think of the bankers as lending money or exchange-medium that has an existence independent of the bankers' fiat. "What is not generally realized about the 'Credit Cycle' is that the bankers are making profits both ways, by compelling buyers to pay them tribute during the booms and by compelling sellers to pay them tribute during the slumps—and all this by means of loans of promises-to-pay what none of them possessed—money."(18) Ordinary people seem to have accepted, as they are meant to do,

(16) "The quantity of money in existence was kept in the perpetual state of ebb and flow, known as the Trade Cycle, by making it convertible with gold. The details of this 'beautifully working automatic regulation' form the stock-in-trade of all pre-war conventional money-writers and need not detain us. The quantity of money was regulated by means of the gold standard. The latter meant that the value of the money unit in a large number of countries was kept equal to that of a certain weight of gold by making the money, in theory, always exchangeable with gold. In practice, it meant the growth of a number of new devilries having for their object the frustration of every attempt to exchange it for gold, so soon as that exchange began to occur" (*The Rôle of Money*, Soddy, p. 65). There was only enough gold for a mere fraction of the claims for gold brought into existence by the cheque-book system, so loss of gold meant a danger of insolvency.

(17) Cf. *The Principal Cause of Unemployment*, by D. W. Maxwell, p. 54.

(18) *Promise to Pay*, by R. McNair Wilson, p. 32 (George Routledge & Sons, Ltd.).

the explanation that all these cycles are the working of a law of nature. They will do well to read the interesting speeches put into the mouths of bankers and others by Miss G. M. Coogan in *Money Creators* (p. 28) and R. McNair Wilson in *Promise to Pay*.

According to Miss Coogan, the strong-room keeper, speaking at a meeting summoned to inquire into the causes of depression, "in a very sad voice told the committee that he regretted more than anyone in the community that the laws of economics were so rigid and did place such burdens on mankind, particularly upon the weaker members of the community. It made him very sad to see under-nourished and poorly-clad children . . . . but man did not make the laws of economics and he, as a guardian of the community's money, could do nothing else but recognise those bitter laws. There was simply no solution for the problem except economy. . . . But the community would have to face its problem courageously and they would simply have to economize more until all the debts foolishly contracted had been wiped out, that is, until the people either paid what they owed or surrendered their property. That was the only sound solution. They certainly had no desire to violate the laws of economics."(19)

According to R. McNair Wilson, the banker waxes more lyrical about the laws of nature: " This movement of prices up and down," he declared, " is inherent in human nature. It belongs, too, to the nature of things as well as to the nature of men. Look at the seasons. Out of Winter darkness emerges the sunlight of Spring. . . . But all too soon the days begin to draw in. . . . Never forget that a banker's first duty is towards his clients, the honest and frugal folk who have entrusted to him the savings of their lifetime. . . . Would you have him make use of your savings to attempt to change the laws of nature, to try to sow in the time of reaping? It is confidence which begins a boom, my friends, and it is lack of confidence which brings it to an end. There is no financial conjuring trick, believe me, which can change by an iota that law of nature, that economic law, that inexorable economic law."(20)

SOME HISTORICAL EXAMPLES OF PLANNED DEFLATIONS.

The first example will be taken from the monetary history of the U.S.A. as outlined by Miss Coogan in her splendid book, *Money Creators*. She writes as follows: "Just one week after President Cleveland was inaugurated, the 'Panic Circular' was issued, March 12, 1893. It appealed to the bondholding classes to 'advocate an extra session of Congress for the repeal, unconditionally, of the Sherman Silver Law.' It was issued directly from

(19) Op. cit., p. 28.
(20) Op. cit., p. 33.

the American Bankers' Association and addressed to all 'National Banks' throughout the U.S.A." Miss Coogan then continues:

"The following is a direct quotation from a Resolution introduced to the 63rd Congress, First Session, April 29, 1913, by Hon. Charles A. Lindbergh, Sen.,:—

"'In eighteen hundred and ninety-three a circular was sent out by the American Bankers' Association, an organization in which most bankers hold membership. It is known as the' Panic Circular of eighteen hundred and ninety-three,' bears date March eleventh, eighteen hundred and ninety-three, and was *mailed* to the National banks. It read as follows:

"'Dear Sir,—The interests of national banks require immediate financial legislation by Congress. Silver, silver certificates, and Treasury notes must be retired, and National Bank notes upon a gold basis (the phrase 'gold basis' always means a debt basis) made the only money. This will require the authorization of 500,000,000 dollars to 1,000,000,000 dollars of new bonds (debts) as the basis of circulation. *You will at once retire one-third of your circulation (your paper money) and call in one-half of your loans. Be careful to make a monetary stringency among your patrons, especially among influential business men.* Advocate an extra session of Congress to repeal the purchasing clause of the Sherman Law, and act with other banks of your city in securing a large petition to Congress for its unconditional repeal per accompanying form. Use personal influence with your Congressmen and particularly let your wishes be known to your Senators. The future life of national banks, as fixed and safe investments, depends upon immediate action, as there is an increasing sentiment in favour of government legal-tender notes and silver coinage.' (21)

"It was an undisputed fact that silver, silver certificates, and United States Government legal tender currency had proven very desirable as money since 1878. In the summer of 1893 the American Congress convened in extra session for the very purpose of violating the confidence and the will of the United States. Everyone knows that the result was another severe depression.

"The following is an excerpt from a confidential bankers' circular issued two years prior to the Panic Circular of 1893:

(21) The phrases in brackets in the letter are comments inserted by Mr. Lindbergh. Mr. Jeffrey Mark quotes the letter in full in his book, *The Modern Idolatry*, pp. 240-241, and adds that Mr. Arthur Kitson, who was still alive at the time Mr. Mark's book was written (1934), had personally assured him that the letter was still in his (Kitson's) possession.

In his evidence before the Macmillan Committee on Finance and Industry, at London, May 15, 1930, Mr. Kitson said that "within a few weeks of the issue of this letter, we [in U.S.A.] had the most terrible panic that had been known up to that date, and several millions of people were thrown out of employment. Thousands of merchants and manufacturers were made bankrupt, and we had a period of industrial depression far worse than we are having here [in England] now."

" 'We authorize our loan agents in the States to loan our funds on real estate to fall due on Sept. 1st, 1894, and at no time thereafter. On Sept. 1st, 1894, we will not renew our loans under any consideration. On Sept. 1st we will demand our money. We will foreclose and become mortgagees in possession. We can take two-thirds of the farms west of the Mississippi, and thousands of them east of the great Mississippi as well, at our own price . . . . We may as well own three-fourths of the farms of the West and the money of the country. Then the farmers will become tenants as in England . . . .'

"After the battle over the dishonest demonetization of silver in the United States had subsided, the international connivers succeeded in passing the so-called Gold Standard Bill. This bill was approved on March 14, 1900. . . .

"Under the terms of this bill, unconstitutional in fact, Congress supposedly gave to the United States Treasury itself and to private individuals, the right to make gold dollar contracts calling for the payment of dollars at future dates, each dollar of which was convertible into 25.8 grains of gold .9 fine. The falsifiers stated that a dollar consisting of 25.8 grains of gold .9 fine was henceforth the standard of value. Thus recently was born our good old *traditional* gold standard.

"Under the banking laws, any private individual could bring gold into the United States, or take gold out of the United States, and hence, at his pleasure, change the volume of gold within this country. Each gold dollar could also be used as a so-called base upon which to build a pyramid of many bank-manufactured dollars. By manipulating the volume of bank-manufactured dollars, the actual purchasing power of every dollar in the United States could be altered at the pleasure of a few individuals."(22)

The second example of the functioning of the "economic law" of alternate boom and depression will be taken from the recent monetary history of Great Britain. In regard to this example we are particularly favoured, for eight years before the "coup" took place, Mr. Arthur Kitson foretold that it was being prepared. In his book, *A Fraudulent Standard*, published by King & Son, in 1917, we read:

"Just now a few of the great financiers are contemplating the most gigantic 'deal' that has probably ever been conceived, and one which if perpetrated by any other class of the community, even on a very much smaller scale, would be denounced as barefaced robbery. . . . This deal is nothing less than doubling the national, and incidentally all other, debts, by doubling the present value of our monetary units. The object of this is to double the value of their War Loan investments, regardless of the terribly disastrous industrial and social results which must ensue. This robbery will be accomplished, if it is not checked in time by public

(22) *Money Creators*, pp. 230-233.

sentiment, in a perfectly legal manner by a complacent Chancellor under the guise of a measure for the public welfare, for the sole purpose of removing 'inflation' and reducing prices which have risen mainly through the creation of the very currency and credit constituting the War Loans. The measure will aim at restoring what money-dealers term our 'good, sound, honest gold currency,' by destroying the Treasury notes and reducing bank credit to the pre-war proportions. The effect will naturally be to double the purchasing power of the pound at the expense of every wage earner, producer, merchant, manufacturer, tradesman, and taxpayer in the country. . . . Nominally, of course, the amount of the War Debt will undergo no change. The figures will remain the same. . . . By altering the value of the pound, which is easily accomplished, the trick is done and the debt, although nominally £6,000,000,000, becomes in reality £12,000,000,000, in terms of the present purchasing power of money, corresponding to that of the money actually loaned! Similarly, although the nominal rate of interest is 5 per cent., by this method of tampering with the value of the pound, these investors will actually receive 10 per cent. on their original investment. . . . This will mean that every taxpayer will have to give at least twice the amount of his goods and labour to meet his taxes, than that which he has had to furnish under present conditions."(23)

In *The Bankers' Conspiracy*, written by the same author and published by Elliot Stock in 1933, in the section devoted to the criticism of the Report of the Cunliffe Committee on Currency and foreign Exchanges of 1918, we read: "In advising the restoration of the gold standard they [the Cunliffe Committee] are advising the Government to increase the National Debt and so add to the burdens of taxation which the British public will have to bear. At present our National Debt approximates £8,000,000,000! But what are these pounds and with what were they subscribed? The Committee must know that the War Loans were subscribed in 'cheap' pounds, approximating in value to only one-half of the pre-War pounds. Hence our war-debt, expressed in pre-War pounds, would be less than £4,000,000,000! By restoring the gold standard, the public debt would therefore be doubled and become £8,000,000,000 *at pre-war value*! Hence every taxpayer would be compelled to pay at least twice the amount of taxes in his own products and services by reason of the Committee's recommendations. Very nice for the big money-lenders and war loan subscribers, but rather hard on the wealth producers and taxpayers! . . . . .

"When the American Greenback Party once proposed to pay off the American National Debt in paper money, a cry of horror

(23) Op. cit., pp. 2-5.

went up from all the money-dealers and bankers at the shockingly immoral crime contemplated of paying the public debt in a *depreciated* currency—notwithstanding the fact that a large proportion of the American National Debt had arisen from loans made with the self-same cheap paper money. But these same gentlemen later managed to sneak a bill through Congress which compelled the American people to repay their War debt in an *appreciated* currency worth three times that in which most of the debt was contracted! The money-lenders' code of morals—which the Committee apparently endorse—is, that whilst it is very wicked for debtors to defraud their creditors, creditors are quite justified in robbing their debtors. This seems to be the moral basis of the Gold Standard."

In the body of the same work, pages 25-27, Mr. Kitson touches briefly upon the results of the re-establishment of the gold standard, foretold by him in 1917. "This document [The Cunliffe Currency Committee's Report]," he writes, "advised the adoption of certain monetary policies which were accepted by the Coalition Government of Mr. Lloyd George in 1920, under the chancellorship of Mr. (now Sir) Austen Chamberlain, and is directly responsible for the most disastrous period in the industrial history of this country. Notwithstanding the ruinous results of the deflationary policy recommended in this report during the years immediately following its adoption, Mr. Winston Churchill intensified these evils by establishing the gold standard in 1925, which precipitated the great strike of 1926. . . . The gold standard, re-established in 1925, after inflicting untold losses upon our industrial classes and taxpayers, had to be abandoned six years later to save the country from ruin. The same policies as those recommended by the Committee, have also been tried in other countries since the War and with similarly ruinous results; hence the present World Crisis! By the universal adoption of the gold standard after its recommendation by the Cunliffe Committee, which was one of the main policies advocated by the League of Nations, an irresponsible super-Government was created, composed of a group of International Bankers. It required only a few years to prove the utter incapacity of these men to manage the world's financial affairs, and if the people of all civilized countries are not yet convinced of the terrible dangers attending the supremacy of the banking interests, there will be a repetition of the economic disasters of the past few years—but of a much more intensive character."

In his pamphlet, *Finance in the Melting Pot* (Stanley Nott, Ltd.), Mr. Vincent C. Vickers, former director of the Bank of England, outlines the same story in very telling fashion. "We have to remember," he writes, "that the value—that is to say, the purchasing power—of money, and consequently, the price of

goods, can be and has been varied intentionally and deliberately, not by the will or action of the State, but by those individuals who themselves manage and control the money—though they constantly aver that they act for, and on behalf of, the community. We returned to the Gold Standard in 1925 for the benefit of the City of London, and so ruined our basic industries. It does not follow that what is best for the City of London is best for the country. In consequence of past policy, a farmer who borrowed from his Bank, say, in 1920, the money-equivalent of 100 sacks of wheat, might be obliged to sell 200 sacks of wheat a few years afterwards in order to repay that same loan, simply because a pound became twice as valuable."

The evidence of Mr. Montagu Norman before the Macmillan Committee in 1930 is very evasive and even contradictory in its evasiveness, yet there are some illuminating admissions with regard to the planning of deflations. Here are some extracts as given in Mr. John Hargrave's book, *Professor Skinner alias Montagu Norman*, pp. 156-161, with some of Mr. Hargrave's comments: "Lord Macmillan (the Chairman) put a very awkward question:—'It is, of course, the case that the volume of credit in the country is, to a very large extent, in your hands, is it not?'

Mr. Norman—'Yes, I think it is! . . . .'

Chairman—'And again, speaking in the broadest terms, is it your view that the consequences of that internal restriction of credit, unfortunate as they may appear to be, are outweighed by the advantages of the maintenance of the international position?'

Mr. Norman—'Yes, there is very large benefit.'

"That is to say: 'There is very large benefit' to British industry in having to suffer the consequences of internal restrictions of credit, 'unfortunate as they may appear to be.' And that is not nonsense? It is sheer nonsense, following logically from the basic philosophy of Poverty-is-good-for-you. It is dangerous nonsense, because it leads inevitably to war. . . . .

Mr. R. McKenna—'You have restricted the quantity of credit by selling securities on balance in the first two months of this year. . . . Is that so?'

Mr. Norman—'I am not sure.'

Mr. McKenna—'You do not remember if you restricted credit?'

Mr. Norman—'I am not aware that credit was restricted.'

Mr. McKenna—'I have the figures. . . . Between February of last year and February of this year you sold many millions of securities?'(24)

(24) "But the Bank [of England] also holds at command the power directly to increase or decrease the amount of purchasing media in the country by open market operations. If the Bank purchases securities in the market the transaction is settled by crediting the drawing account of the broker or other party through whom they are purchased.

Mr. Norman—'Oh, yes.'
Mr. McKenna—'And you reduced credit?'
Mr. Norman—'Yes.'

"Yet a moment before he said: 'I am not aware that credit was restricted.' . . . .

Mr. Keynes—'If the amount of assets held by the Bank of England were reduced by £5,000,000, by how much would that reduce bank credit throughout the country?'
Mr. Norman—'I think your neighbour would tell you that best.' . . . The neighbour was Mr. McKenna.
Mr. McKenna—'About £50,000,000—ten times the amount?'
Mr. Norman—'I do not know that that is necessarily so.'

. . . .

Mr. Keynes—'You do not know?'
Mr. Norman—'Ten to one is an arbitrary reckoning based on the bankers' normal percentage of Cash.'
Mr. Keynes—'Would the curtailment of credit by £50,000,000 have no effect of any importance on industry?'
Mr. Norman—'I do not think it would . . . . unless of course it had to be continued over an extended period.'

"Well, as it happened, it has been continued over an 'extended period.'"

As many of my readers may have little knowledge of the planned character of inflations and deflations, another instance from recent history may not be superfluous. On page 60 of *Money Creators*, Miss Coogan writes: "A secret bankers' meeting was held on May 18, 1920, in Washington, D.C. In the name and style of The Orderly Deflation Committee of the American Bankers' Association, a secret resolution was passed declaring for the contraction of money and credits. The published proceedings of this

---

This eventually leads to an increase in the balances of the joint-stock banks at the Bank of England . . . . The deposits of the joint-stock banks at the Bank are the equivalent of cash and the banks thus find themselves with more than their usual proportion of cash to deposits and are in a position to grant further loans to their customers or otherwise to create additional credit. Since the banks as a whole maintain a cash proportion to deposits of from 10 to 11 per cent., they are in fact able to increase their deposits by some ten times the cash created by the Bank of England. By the opposite process, a sale of securities by the Bank of England, or the calling in of a loan, will reduce the cash of the joint-stock banks and entail a reduction of their deposits. The Bank of England is thus in a position . . . . to exercise almost complete control over the amount of bankers' cash in the country and thus . . . . over the total volume of deposits within such limits as are set by the existence of the international gold standard" (*Official Report of the Macmillan Committee on Finance and Industry*, June, 1931, par. 71).

Cf. *The Principal Cause of Unemployment*, by D. W. Maxwell, p. 54, and also *Promise to Pay*, by R. McNair Wilson, p. 146.

secret bank meeting show that it was held in the name and style of the Federal Reserve Board, the Federal Advisory Council and the Class 'A' Directors of the Federal Reserve Banks. The action prescribed was taken on a resolution assuming to be presented by the American Bankers' Association. The names of all the men present at that meeting, and the statements made by them, can be obtained by anyone who will take the trouble to write to the Superintendent of Documents, Washington, D. C., and request Document No. 310 of the 67th Congress, 4th Session. Those who attended were warned to hold the proceedings in sacred secrecy. . . . . . Hon. Finly H. Gray described the meeting: 'The manipulating financiers and bankers, the master minds of frenzied finance . . . were not there, . . . but were . . . directing . . . . their catspaws from afar. . . . Mr. John Skelton Williams, Comptroller of the Currency, when this contraction of money was proposed, explained his efforts to stop the resolution. . . . Don't you know, he said, that it is going to ruin lots of farmers, and they cold-bloodedly replied to him: they ought to be ruined—they are getting so prosperous that they will not work.' "(25)

These examples are sufficient to make one realize the absurdity of the reason for monetary depressions advanced by Professor Jevons, whose book, *Money and the Mechanism of Exchange,* is still a standard work on the subject. Professor Jevons " was convinced, with the rest of the professional economic apologists, that no possible explanation for these depressions could be found within the monetary system itself, but was so hard put to it to account for them otherwise that he was driven to seek an explanation in the periodic recurrence of sunspots."(26)

(25) Cf. also *The Truth About the Slump*, by A. N. Field, pp. 103-104.

(26) *The Modern Idolatry*, by Jeffrey Mark, p. 16. On pages 340-342 of *Money and the Mechanism of Exchange*, Professor Jevons writes: " From all the above considerations it follows that the only method of regulating the amount of the currency is to leave it perfect freedom to regulate itself . . . . The amount of money itself can be no more regulated than the amounts of corn, iron, cotton, or other common commodities produced and consumed by a people . . . . The manner of issuing this paper currency should be strictly regulated in one sense; the paper circulation should be made to increase and diminish with the amount of gold deposited in exchange for it. At the same time, no thought need be taken about the amount so issued. The purpose of the strict regulation is not to govern the amount, but to leave that amount to vary according to the natural laws of supply and demand. In my opinion, it is the issue of paper representative notes accepted in the place of coin, which constitutes an arbitrary interference with the natural laws governing the variations of a purely metallic currency . . . ."

This is a sample of the teaching which has permitted the perpetration of terrible crimes against society to go unhindered and unsuspected.

When prices rise during the boom period, "public speakers," writes Mr. D. W. Maxwell, "bleat mournfully of the 'rise in the cost of living' and of 'taking the price-level into consideration,' as if a rise of prices were like an earthquake or a typhoon—extremely unpleasant but nobody's fault. A rise of prices is not an 'act of God'; the brain and hand of man are the guiding forces."(27)

INTERNATIONAL TRADE AND THE GOLD STANDARD.

From what has just been said about the organization of national finance under the gold standard, it can be easily seen that the system will not work satisfactorily in the realm of international trade. It inevitably leads to a state of affairs where every country wants to export goods in order to have a favourable balance of trade and where no country wishes to import. As, however, the exports of one nation are the imports of another, this leads to a deadlock. Sir Reginald Rowe sets forth the reason for this absurd situation briefly and clearly: "If we consider the International Gold Standard system, we shall see that it did not ensure an exchange of goods and services between nations to their mutual advantage but, on the contrary, ensured that nations should export their real wealth, that is, goods and services, and obtain in return an admission of unpayable debt; the debt was supposed to be payable in gold and was called a 'favourable' balance, but if gold was, in fact, paid, the loss caused internal disaster to the country which paid it. Herein lies the reason, on the international side, why nations are so anxious to export and not import, although there is another internal reason connected with employment and the distribution of internal purchasing power through wages; the latter is also a monetary problem. . . . This country [England] for nearly 80 years had an annual so-called active 'favourable' balance of approximately £100,000,000. This meant that after it had paid all its bills to the world for all the imports and services it required, it still had £100,000,000's worth of foreign currencies owing to it.

"Let us suppose, for the sake of simplicity, that the Argentine owed England annually the whole of this amount. England was then in a position to say to the Argentine: 'We have bought and paid for all the meat and wheat we required from you during the last accounting period, and after doing so we still have £100,000,000's worth of pesos for which we have no use. We can, if we like, offer them for sale on the foreign exchange. If we do, some English exchange broker will give us pounds for them, but clearly as there is no immediate demand by Englishmen for them,

(27) *The Principal Cause of Unemployment*, p. 33.